

## Keynote Address



Keynote Address by

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Excellencies, Ladies and Gentlemen,

It is my pleasure to be here with you today to deliver the Opening Address for this important event. I am grateful to the organisers for the honour of addressing an audience of prominent academics and policy makers. Our main themes are energy use and climate policy. These are often discussed as if they were mutually exclusive. Many people think fossil fuel use, for example, is something that simply cannot co-exist with current global climate goals. However, in reality there are commonness and mutual interests between the two, some of which I hope to highlight in the course of my presentation.

The United Arab Emirates and, indeed, OPEC firmly believe that with the right mix of technology, incentives and cooperation, continued oil production (and consumption) need not come at the expense of the environment. In the same vein, protection of the environment needs not happen at the expense of human and economic development. In the United Arab Emirates, for example, our efforts to meet the Millennium Development Goals have not been at the expense of the environment. Access to water, housing and electricity has been achieved thanks to our oil industry. At the same time, we have taken great care to produce oil and gas in an environmentally responsible manner – for example, following a zero flare policy. Thus, energy has an important role to play in sustainable efforts everywhere – efforts that respect both the environment and the development needs of people around the world.

It is important to realize in the long term that fossil fuels will continue to satisfy the bulk of the world's energy needs as long as reserves last. OPEC's current reference case scenario projected world oil demand to reach 113 million barrels a day by 2030.

Most of this growth will be in developing countries and more than half of the demand is expected in the transportation sector alone. We are confident that when the global economy eventually recovers, world energy demand will continue to grow. And demand for oil will pick up once more – just as it has occurred, in the past, after every previous economic crisis.

Now, like other OPEC member countries, the United Arab Emirates is firmly committed to ensuring a stable, secure and reasonably-priced supply of oil to the world. We also support ongoing efforts to return the world's economy to a path of sustainable economic growth. To achieve these objectives along with other OPEC members, the United Arab Emirates has committed significant investments to increase capacity. But one of the things we need is reasonable and stable prices. We certainly have not had much of that lately. As I am sure you will all agree, oil prices last summer were extreme, by any measure. The reasons for those price increases – and the later dramatic price drop – were not traditional market fundamentals but speculation. Poor regulation directly contributed to these price fluctuations.

The use of oil as an asset in future commodity markets – and the increasing disconnect between paper oil and physical oil – has led to extreme price volatility. Volatility is something that makes the business of both oil producers and consumers very difficult. In an industry with high-up-front costs and long-lead times, some predictability in prices is required in order to make appropriate investment decisions. Let me be quite clear here. Prices need to be at an appropriate level – a level that stimulates economic growth, while at the same time providing the right incentives – to both producers and consumers – and inducing further investments in the energy industry both in new production capacity as well as in renewable energy and energy efficiency. Most experts believe that this price level should be somewhere between 60 to 80 US dollars per barrel. But this is still open to debate.

It is important to stress that low oil prices are detrimental to environmental projects and ongoing

efforts at developing renewable energy. The current low-price environment provides no stimulus for continued investments in alternative energy projects. Furthermore, low prices hinder research and development of new environmentally-friendly technologies. For decades, technological innovation helped us improve oil exploration, expand production capacity and develop more efficient ways of using oil. In the same way, technological advances today will help us meet ever more stringent environmental demands and adjust to the realities of an increasingly carbon-constrained world. But all this requires continued investments – which, in turn, depend on an appropriate price level. Thus, low oil prices should be of concern not just to oil producers, but also to anyone who is concerned about climate change.

It should be clear by now that finding ways to meet the wide-ranging challenges in the world oil market is not just a task for OPEC and other oil producers alone. It is a shared responsibility, especially at this time when the world is caught in a whirl of economic turmoil. The global economy is too uncertain for anyone to navigate it alone. This is why OPEC has continually emphasized the need for openness, transparency and collaboration between producers and consumers.

This is no less true of challenges of global climate change. Today, oil producers in general and OPEC countries in particular, are playing a key role in global climate policy efforts. OPEC actively participates in global environmental discussions and it is worth noting that the first conference on the Clean Development Mechanism, for example, was hosted by Saudi Arabia in December of 2006. Other member countries have also made significant efforts to contribute to the development of environmentally-friendly projects.

The United Arab Emirates, for example, has taken a leading role in looking for ways to reduce its carbon footprint. In Abu Dhabi, work has started on Masdar City, the world's first zero-carbon emissions and zero-waste metropolis. The city will cover 6 square kilometres and is expected to be home to about 50,000 people. Among its many proposed features is a 40 to 60 megawatt solar power plant – as well as photovoltaic modules on rooftops. These are initiatives that other countries could emulate. More importantly, they are examples of how oil producers can work in collaboration with those trying to

achieve climate policy objectives. They do share common interests.

What all this demonstrates is that OPEC and its member countries do not operate on the basis of a unilateral, zero-sum game. We envisage the continued development of the oil industry taking place in tandem with the development of renewable energies and environmentally-friendly efforts worldwide. There is no reason why our mutual concerns over climate change cannot bring us together. We should not demonize fossil fuels. We should celebrate the growth of the global energy mix – while recognizing the fact that fossil fuels will remain an important element in this mix for many, many more years to come.

Many of you may be aware that Germany has taken a leading role in the recent establishment of the International Renewable Energy Agency (IRENA) of which the United Arab Emirates is a founding member. Today, IRENA has 82 members and in a few weeks, the second meeting of IRENA's Preparatory Commission will meet in Egypt to elect its Secretary General and to choose a location for the Secretariat. Highlighting its commitment to the environment, the United Arab Emirates has tabled a proposal to host the Secretariat in Abu Dhabi. With support from fellow IRENA members, we look forward to hosting this important new organisation.